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## Canada

### Agricultural Situation

## This Week in Canadian Agriculture, Issue 26 2002

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**Report Highlights:** What's New, Eh?...VANCLIEF PUSHES REFORM AT QUINT, WELCOMES U.S. WTO PROPOSAL\*\*\*MODERN DAY LOW FOR TOTAL EXPORTS OF GRAINS AND OILSEEDS\*\*CANADA ALLOWS POULTRY MEAT IMPORTS FROM BRAZIL \*\*\*CATTLEMEN'S ORGANIZATION SETS RECORD STRAIGHT ON STEROIDS\*\*\*SASKATCHEWAN ANNOUNCES TARGETED DROUGHT ASSISTANCE\*\*\*CANADIAN PRODUCERS WILL BE HURT BY U.S. FARM BILL SAYS THINK-TANK\*\*\*CHEESE PRODUCTION DOWN; FLUID MILK, BUTTER PRODUCTION UP FOR 2002\*\*\*AND MORE...!

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
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This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

**VANCLIEF PUSHES REFORM AT QUINT, WELCOMES U.S. WTO PROPOSAL:** Lyle Vanclief, Minister of Agriculture and Agri-Food, traveled to Japan to join his counterparts from the United States, the EU, Australia and Japan – and emphasized the need for a quick and successful conclusion to the World Trade Organization (WTO) agricultural negotiations. The informal gathering of the countries' agriculture ministers to share views on their respective policies is known as the Quint. In a press release, Vanclief said "Canada wants a trading environment in which all producers can compete on the basis of their competitive advantages, not on the size of government treasuries. I was encouraged by our discussions on the importance of further commitments within the agricultural community to more market-oriented policies." Vanclief said countries are now looking for significant progress to be made on domestic support as a condition for improvements on other fronts, such as market access. Vanclief also welcomed the announcement of the United States' WTO proposal. "Canada has submitted its WTO proposal and I am glad to see that the U.S. has added its voice to the other WTO proposals on the table," he said. "While the U.S. will need to square this proposal with its Farm Bill, it does offer some specific ideas that could bring some needed momentum to the agricultural negotiations."

**ANALYSTS SEE MODERN DAY LOW FOR TOTAL EXPORTS OF GRAINS AND OILSEEDS:** Agriculture and Agri-Food Canada market analysts released their outlook for Canadian grains and oilseeds production and trade. Crops continue to suffer yield losses due to drought in major portions of Saskatchewan and Alberta. For 2002-2003, highlights include a 57% increase over last year in durum wheat output to about 4.7 million metric tons, but a 16% predicted decline in the production of wheat excluding durum to 14.9 million metric tons. The corn production estimate for 2002-2003 remained at 9.1 million metric tons. The current canola crop is forecast at 3.9 million metric tons, down sharply from the early July estimate of 5.1 million metric tons. On the export side, durum wheat exports are forecast to rise moderately to about 3.6 million metric tons, while spring and other wheat exports in 2002-2003 are projected to decline by 28%, to a record low 8.7 million metric tons. Exports of total grains and oilseeds are forecast to hit a new modern day low of 18.8 million metric tons, as lower wheat barley, canola and flax exports more than offset the predicted higher exports of durum, corn, oats, and soybeans. See more drought related stories below.

**CANADA ALLOWS POULTRY MEAT IMPORTS FROM BRAZIL:** Canada has recognized the poultry meat inspection system of Brazil and effective August 1, 2002, poultry meat from Brazil will be eligible to enter Canada. The development provides the potential for cheap Brazilian chicken to displace U.S. chicken in the Canadian market. In 2001, Canada was

the second most important export market for U.S. poultry meat after Russia. Canadian imports of chicken have been regulated under a Tariff Rate Quota (TRQ) since 1995 after Canada implemented the WTO agreement on agriculture. Traditionally, the United States has been virtually the sole supplier of imported poultry meat to Canada. However, the Department of Foreign Affairs and International Trade (DFAIT) claims it has always considered its import access levels for poultry meat and products to be global access levels and it fully intends to apply any poultry imports from Brazil against the TRQ. Despite frequent Canada/Brazil trade rows in recent years concerning Brazilian beef and aircraft manufacturing subsidy disputes, Canadian exporting companies are believed to have pressured the Canadian government to develop an improved trade relationship with Brazil, in part leading to the poultry meat inspection system agreement. For more information see CA2088.

#### **CATTLEMEN'S ORGANIZATION SETS RECORD STRAIGHT ON STEROIDS:**

According to press reports, the Canadian Cattlemen's Association moved quickly to discredit remarks made by a Canadian athlete who was sent home from the Commonwealth Games in the U.K. because he tested positive for the banned anabolic steroid nandrolone. The athlete had earlier speculated that his consumption of steak was a possible reason for failing the substance test at the event. On the off-chance that the public would pay serious attention to the athlete's opinions on nutritional issues, the Canadian Cattlemen's Association's communications manager Cindy McCreath said. "(Nandrolone)...is neither approved for use nor available to cattle producers. It is an anabolic steroid used in human medicine to treat testosterone deficiency, breast cancer, and osteoporosis...Canadian beef does not contain nandrolone."

**SASKATCHEWAN ANNOUNCES TARGETED DROUGHT ASSISTANCE:** The Saskatchewan provincial government announced drought assistance this week totaling C\$220 million (\$145 mil.); C\$70 million for livestock producers comprised of C\$20 million in direct assistance and up to C\$50 million in drought assistance loans – as well as an early injection of as much as C\$150 million in crop insurance advance payments for crop producers. "While today's announcement will put much-needed cash in farmers' pockets – up to C\$75 per animal for cattle producers in the worst hit areas – it also points out the urgent need for federal government support to improve crop insurance in 2003," said Saskatchewan Deputy Premier and Agriculture, Food and Rural Revitalization Minister Clay Serby. Earlier this month, Alberta provided C\$324 million (\$210 million) to assist its farmers facing disastrous conditions due to drought (see CA2086).

#### **EASTERN FARMERS SEND HAY TO DROUGHT-STRICKEN RANCHES IN WEST:**

A campaign started by a few Eastern Ontario farmers to donate hay to drought-stricken farmers in Western Canada has expanded to include cash donations from citizens, involvement by the Humane Society of Canada, Canada's railways and the Canadian Food Inspection Agency. After a stutter start caused by federal officials who feared that westbound hay trains could spread crop pests, rail cars have left Ontario headed for Alberta. Because the quantity of donated hay is small considering the overall need for forage in the west, western recipients have organized a hay lottery. According to press reports, almost 10,000 ranchers in Alberta and Saskatchewan have entered their names for a chance to win a semi-trailer load of donated hay. See the previous story for a summary of the drought assistance packages announced by the Alberta and Saskatchewan provincial governments.

**HOT, DRY WEATHER CONTINUES TO CAUSE CROP DETERIORATION:** Continued hot, dry weather is deteriorating crops across Saskatchewan, according to Saskatchewan Agriculture, Food and Rural Revitalization's weekly crop report. Rains were very spotty during the past week, but will help fill crops in some areas. Some harvesting operations have started with swathing of pulse crops in the southeast, east central, and mid central regions. Crops that are not economical to combine due to drought conditions are being salvaged as grazing for livestock or baled for feed. Spring cereal crops are on par with the five-year average development with 50 per cent in the dough stages. Flax crops are close to average development with 38 per cent in the boll stage. Canola and mustard crops are also close to average with 59 per cent in the pod stage. Pulse crops are ahead of average with 74 per cent podding and five per cent ripe. Fall cereal crops remain behind the five-year average with 25 per cent ripe, compared with the five-year average of 50 per cent. Grasshoppers are a major source of crop damage right across the province. Farmers are spraying insecticides where it is economical to do so.

**CANADIAN PRODUCERS WILL BE HURT BY U.S. FARM BILL SAYS THINK-TANK:** The market information service *Farms.com* summarized the latest report by the George Morris Centre, a Canadian agriculture industry think-tank, by reporting that Canadian producers can expect at least six more years of low feedgrain and oilseed prices because of U.S. Farm Bill provisions. The report says the Farm Bill guarantees enough subsidy to more than cover direct costs for producers of all major crops, which will cause U.S. farmers to increase yield and production. "The higher the yield, the higher the subsidy," say report authors Holly Mayer, Larry Martin and Anna Staciwa. Bigger harvests will put negative pressure on chronically low corn and soybean prices, which will impact the income of Canadian producers of feedgrains and oilseeds. The report also says Canadian livestock producers will not fare any better. Country of Origin Labeling will impose additional costs on US packers and grocery chains, which will most likely be reflected in the form of lower prices for Canadian livestock, especially cattle and hogs. The Centre also anticipates aggressive retaliatory efforts by the U.S. government against competitors it believes are trading unfairly. This could include markets served by the Canadian Wheat Board, or by European countries that have effectively shut out certain U.S. crops through regulations concerning genetically modified organisms according to the Centre.

**CHEESE PRODUCTION DOWN; FLUID MILK, BUTTER PRODUCTION UP FOR 2002:** In calendar year 2001, fluid milk production was down slightly to 8.1 million metric tons (MMT) from 2000 levels due to less cows in milk. Cheddar cheese production totaled 120,673 metric tons, while butter production amounted to 81.6 metric tons (MT). Production of skim milk powder was 90,288 metric tons. For 2002, total fluid milk production is forecast to be 8.130 MMT. Production of cheese (cheddar and variety) is forecast to decrease slightly to 320,000 MT. Butter production is forecast to increase to 90,000 MT. Production of nonfat dry milk is forecast to remain unchanged at 90,000 MT. For more information, see GAIN report CA2087.

**BIOTECH CROP USE CONTINUES TO RISE IN ONTARIO:** A story in the *Ontario Farmer* covered by the July 19 edition of *Good Morning Ontario* says that commodity organizations are reporting that Ontario growers are again choosing to plant biotechnology-enhancing crops in great abundance for the 2002 season. Estimates for 2002 plantings from sales figures and commodity groups, show that 40-50% of the soybean (2001 figures, 25-30%), 45-50% of the corn (2001, 40%) and 90-95% of the canola (2001, 80%) are

from seed stock that has been genetically modified to be herbicide tolerant or resistant to specific pests. Surveys have shown that agricultural pesticide use (as measured by active ingredient) declined by over 40% between 1983 and 1998 and continues to drop, says Ontario Farmer. Associated risks to farm workers, consumers and the environment have dropped by the same 40%, while crop yields have increased. These declines are attributed to Ontario farmer's use of biotech crops.

**VANCLIEF PROMOTES CANADA'S MEAT SALES IN JAPAN WITH FOCUS ON QUALITY AND SAFETY:** Agriculture and Agri-Food Minister Lyle Vanclief promoted Canadian meat in Tokyo this week at a special meat industry event to help ensure Canada's flag is seen around the globe as the definitive stamp of food quality and safety. "Japan is Canada's single most important overseas partner for food products," said Mr. Vanclief. "These marketing efforts will build on Canada's longstanding partnership with Japan in supplying its consumers with food that meets the highest international standards for safety and quality. Canada and Japan will both benefit as our commercial relationship grows stronger, particularly in the Japanese meat sector, where our beef and pork products are being consumed in increasing volumes." Vanclief reiterated that his department's commitment to help Canadian farmers compete and capture new opportunities in the global marketplace is a major component of Canada's Agricultural Policy Framework, a strategy designed to help make Canada the world leader in food safety, environment and innovation. A key part of the new agriculture policy is to develop in the minds of global consumers that Canadian food products are among the best for quality and safety.

**Did You Know...** that soybean crushing in Canada is concentrated in Ontario, where about 90% of Canada's total soybean production occurs? The major soybean crushing facilities are dual-purpose plants owned by ADM Agri-Industries Ltd in Windsor and by CanAmera in Hamilton which can also crush canola..(Source: Agriculture and Agri-Food Canada)

#### Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA2086	This Week in Canadian Agriculture, Issue 25	7/18/2002
CA2087	Dairy Semi-Annual Report	7/19/2002
CA2088	Canada Allows Poultry Meat Imports From Brazil	7/31/2002

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